



ASCENDUS, INC.

**Financial Statements
(Together with Independent Auditors' Report)**

Ascendus

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Years Ended December 31, 2024 and 2023

ASCENDUS, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED DECEMBER 31, 2024 AND 2023

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Ascendus, Inc.
New York, NY

Opinion

We have audited the financial statements of Ascendus, Inc. ("Ascendus"), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ascendus, Inc. as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Ascendus and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ascendus' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ascendus' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ascendus' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CBIZ CPAs P.C.

New York, NY
April 18, 2025

ASCENDUS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2024 AND 2023

ASSETS	<u>2024</u>	<u>2023</u>
Cash and cash equivalents (Notes 2C and 10A)	\$ 4,761,783	\$ 8,364,840
Restricted cash (Note 2C)	21,221,320	5,961,488
Contributions, grants and other receivables (Notes 2D and 2L)	1,888,185	1,255,249
Interest on loans receivable (Note 2E)	646,345	441,575
Loans receivable, net (Notes 2E, 2F and 4)	32,437,454	27,813,541
Prepaid expenses and other assets	316,441	326,115
Operating right-of-use lease asset (Note 7)	135,626	237,061
Finance right-of-use lease asset (Note 7)	65,319	48,882
Property and equipment, net (Notes 2G and 5)	<u>70,544</u>	<u>42,205</u>
TOTAL ASSETS	<u>\$ 61,543,017</u>	<u>\$ 44,490,956</u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 656,303	\$ 566,594
Deferred revenue (Note 2B)	360,879	35,416
Other liabilities	1,847,432	1,805,592
Notes payable	44,100,424	23,818,275
Operating lease liability (Note 7)	136,365	237,800
Finance lease liability (Note 7)	<u>69,852</u>	<u>49,421</u>
TOTAL LIABILITIES	<u>47,171,255</u>	<u>26,513,098</u>
 COMMITMENTS AND CONTINGENCIES (Note 8)		
 NET ASSETS (Note 2B)		
Without donor restrictions	10,421,966	15,064,367
With donor restrictions (Note 9)	<u>3,949,796</u>	<u>2,913,491</u>
TOTAL NET ASSETS	<u>14,371,762</u>	<u>17,977,858</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 61,543,017</u>	 <u>\$ 44,490,956</u>

The accompanying notes are an integral part of these financial statements.

ASCENDUS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Year Ended December 31, 2024			Year Ended December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
CONTRIBUTIONS AND REVENUE:						
Contributions:						
Contributions (Notes 2B, 2D and 10B)	\$ 2,649,010	\$ 2,683,477	\$ 5,332,487	\$ 3,666,715	\$ 1,516,000	\$ 5,182,715
Noncash contributions (Note 2H)	150,822	-	150,822	250,987	-	250,987
Total Contributions	<u>2,799,832</u>	<u>2,683,477</u>	<u>5,483,309</u>	<u>3,917,702</u>	<u>1,516,000</u>	<u>5,433,702</u>
Revenue:						
Interest on loans (Note 2E)	3,103,559	-	3,103,559	1,812,963	-	1,812,963
Program fees (Notes 2K and 4)	3,258,920	-	3,258,920	3,252,582	-	3,252,582
Interest income	518,004	-	518,004	393,299	-	393,299
Total Revenue	<u>6,880,483</u>	<u>-</u>	<u>6,880,483</u>	<u>5,458,844</u>	<u>-</u>	<u>5,458,844</u>
Net assets released from restrictions (Note 9)	<u>1,647,172</u>	<u>(1,647,172)</u>	<u>-</u>	<u>4,604,041</u>	<u>(4,604,041)</u>	<u>-</u>
TOTAL CONTRIBUTIONS AND REVENUE	<u>11,327,487</u>	<u>1,036,305</u>	<u>12,363,792</u>	<u>13,980,587</u>	<u>(3,088,041)</u>	<u>10,892,546</u>
EXPENSES:						
Program services:						
Lending/education services	12,717,778	-	12,717,778	9,690,554	-	9,690,554
Supporting services:						
Management and general	2,291,401	-	2,291,401	2,709,309	-	2,709,309
Fundraising	809,887	-	809,887	789,496	-	789,496
Total supporting services	<u>3,101,288</u>	<u>-</u>	<u>3,101,288</u>	<u>3,498,805</u>	<u>-</u>	<u>3,498,805</u>
Expenses Before In-kind:	15,819,066	-	15,819,066	13,189,359	-	13,189,359
In-Kind Legal Expense (Note 2I)	150,822	-	150,822	250,987	-	250,987
TOTAL EXPENSES	<u>15,969,888</u>	<u>-</u>	<u>15,969,888</u>	<u>13,440,346</u>	<u>-</u>	<u>13,440,346</u>
TOTAL CHANGE IN NET ASSETS	<u>(4,642,401)</u>	<u>1,036,305</u>	<u>(3,606,096)</u>	<u>540,241</u>	<u>(3,088,041)</u>	<u>(2,547,800)</u>
Net assets - beginning of year, as previously reported	15,064,367	2,913,491	17,977,858	14,752,757	6,001,532	20,754,289
Cumulative effect adjustment for CECL adoption (Note 2M)	-	-	-	(228,631)	-	(228,631)
Net assets - beginning of year, after CECL adoption	<u>15,064,367</u>	<u>2,913,491</u>	<u>17,977,858</u>	<u>14,524,126</u>	<u>6,001,532</u>	<u>20,525,658</u>
NET ASSETS - END OF YEAR	<u>\$ 10,421,966</u>	<u>\$ 3,949,796</u>	<u>\$ 14,371,762</u>	<u>\$ 15,064,367</u>	<u>\$ 2,913,491</u>	<u>\$ 17,977,858</u>

The accompanying notes are an integral part of these financial statements.

ASCENDUS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
(With Comparative Totals for 2023)

	Year Ended December 31, 2024				Total 2024	Total 2023
	Supporting Services			Total Supporting Services		
	Program Services	Management and General	Fundraising			
Personnel costs (Note 11)	\$ 4,877,649	\$ 1,592,747	\$ 753,439	\$ 2,346,186	\$ 7,223,835	\$ 6,416,394
Contractual services	394,729	418,184	35,716	453,900	848,629	768,523
Legal services	48,266	-	-	-	48,266	12,030
Technology	664,877	70,017	12,138	82,155	747,032	644,596
Occupancy (Note 7)	116,101	44,722	1,821	46,543	162,644	312,281
Travel and conferences	43,348	57,358	4,334	61,692	105,040	130,187
Interest expense (Note 6)	963,721	-	-	-	963,721	589,549
Credit loss provision (Notes 2E and 4)	4,915,841	-	-	-	4,915,841	3,483,724
Collection expense	135,892	-	-	-	135,892	148,473
Client financial support	-	-	-	-	-	200,000
Depreciation and amortization (Notes 5 and 7)	-	51,382	-	51,382	51,382	115,669
Other expenses	557,354	56,991	2,439	59,430	616,784	367,933
Expenses before In-Kind:	12,717,778	2,291,401	809,887	3,101,288	15,819,066	13,189,359
In-Kind Legal Expenses (Note 2H)	-	150,822	-	150,822	150,822	250,987
TOTAL EXPENSES	\$ 12,717,778	\$ 2,442,223	\$ 809,887	\$ 3,252,110	\$ 15,969,888	\$ 13,440,346

The accompanying notes are an integral part of these financial statements.

ASCENDUS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Year Ended December 31, 2023				
		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total 2023
Personnel costs (Note 11)	\$ 4,050,388	\$ 1,803,806	\$ 562,200	\$ 2,366,006	\$ 6,416,394
Contractual services	218,000	413,463	137,060	550,523	768,523
Legal services	10,369	1,661	-	1,661	12,030
Technology	447,473	166,337	30,786	197,123	644,596
Occupancy (Note 7)	210,232	75,085	26,964	102,049	312,281
Travel and conferences	37,523	82,777	9,887	92,664	130,187
Interest expense (Note 6)	589,549	-	-	-	589,549
Credit loss provision (Notes 2E and 4)	3,483,724	-	-	-	3,483,724
Collection expense	148,473	-	-	-	148,473
Client financial support	200,000	-	-	-	200,000
Depreciation and amortization (Notes 5 and 7)	207	115,462	-	115,462	115,669
Other expenses	294,616	50,718	22,599	73,317	367,933
Expenses before In-Kind:	9,690,554	2,709,309	789,496	3,498,805	13,189,359
In-Kind Legal Expenses (Note 2H)	-	250,987	-	250,987	250,987
TOTAL EXPENSES	\$ 9,690,554	\$ 2,960,296	\$ 789,496	\$ 3,749,792	\$ 13,440,346

The accompanying notes are an integral part of these financial statements.

ASCENDUS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (3,606,096)	\$ (2,547,800)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for credit losses	4,915,841	3,483,724
Depreciation and amortization	51,382	115,669
Loss from sale of participation loans	111,991	-
Non-cash adjustments on operating leases	<u>-</u>	<u>484</u>
Subtotal	1,473,118	1,052,077
Changes in assets and liabilities:		
Contributions, grants and other receivables	(632,936)	1,143,421
Interest on loans receivable	(204,770)	(287,343)
Prepaid expenses and other assets	9,674	45,713
Accounts payable and accrued expenses	89,709	(720,069)
Deferred revenue	325,463	17,350
Other liabilities	<u>41,840</u>	<u>1,570,022</u>
Net Cash Provided by Operating Activities	<u>1,102,098</u>	<u>2,821,171</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disbursements under loan programs	(50,037,082)	(59,034,497)
Collections under loan program	7,850,072	10,732,123
Proceeds from loan participations	32,535,265	34,075,653
Purchases of property and equipment	<u>(59,820)</u>	<u>(18,591)</u>
Net Cash Used in Investing Activities	<u>(9,711,565)</u>	<u>(14,245,312)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments of finance lease liability	(15,906)	(10,870)
Proceeds from notes payable and subordinated debt	26,050,000	16,150,000
Repayments of notes payable	<u>(5,767,852)</u>	<u>(10,435,769)</u>
Net Cash Provided by Financing Activities	<u>20,266,242</u>	<u>5,703,361</u>
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	11,656,775	(5,720,780)
Cash, cash equivalents and restricted cash - beginning of year	<u>14,326,328</u>	<u>20,047,108</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 25,983,103</u>	<u>\$ 14,326,328</u>
Cash paid during the year for interest	<u>\$ 837,997</u>	<u>\$ 589,549</u>

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Ascendus, Inc. (“Ascendus”) is a non-profit organization established according to the laws of New York and exempt from income tax under Internal Revenue Code Section 501(c)(3). Ascendus empowers low-to-moderate-income (“LMI”) business owners with access to capital and financial education.

Since its incorporation on January 30, 1996, Ascendus has served over 57,000 small business owners by providing affordable loans totaling \$420 million. Ascendus is a Community Development Financial Institution (“CDFI”), certified by the U.S. Department of the Treasury, a Small Business Association (“SBA”) Microloan Intermediary, and a Community Advantage Small Business Lending Company with offices in New York and Florida, but lending across forty-nine states.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Ascendus’ financial statements have been prepared on the accrual basis of accounting using accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. Ascendus reports grants, gifts of cash and other assets as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets without donor restrictions represent net assets not subject to donor-imposed restrictions.

Conditional contributions and grants are nonexchange transactions and accounted for under Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Conditional contributions and grants are recognized as revenue when barriers within the contract are overcome, and there is no right of return. As of December 31, 2024 and 2023, Ascendus was awarded conditional grants and contracts from government agencies in the aggregate amounts of \$272,290 and \$35,416, respectively, that have not been recorded in the accompanying financial statements, as they have not been earned. They are instead recorded as deferred revenue in the accompanying financial statements and will be recognized as revenues when contract barriers are overcome. Such barriers include expending these funds in accordance with their agreements. If such services are not provided, the funding entities are not obligated to expend the funds allotted under the grants and contracts and Ascendus may be required to return the funds already remitted.

The following table is the total conditional contributions and grants recognized for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Total Conditional Grants and Contributions	\$ <u>1,082,083</u>	\$ <u>2,676,248</u>

- C. Cash and cash equivalents consist of highly liquid debt instruments acquired with original maturities of three months or less. Restricted cash consists of amounts for which the use has been restricted by lenders for specific loan programs or future operating expenses.

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows as of December 31:

	<u>2024</u>	<u>2023</u>
Unrestricted Cash and Cash Equivalents:		
Operating Cash	\$ 4,745,893	\$ 6,467,912
Lending Cash	<u>15,890</u>	<u>1,896,928</u>
Total Unrestricted Cash and Cash Equivalents	<u>4,761,783</u>	<u>8,364,840</u>
Restricted Cash:		
Operating Cash	1,150,726	1,202,973
Reserve Cash	904,398	630,985
Lending Cash	18,680,516	3,909,992
Other Purpose Cash	<u>485,680</u>	<u>217,538</u>
Total Restricted Cash	<u>21,221,320</u>	<u>5,961,488</u>
	<u>\$ 25,983,103</u>	<u>\$ 14,326,328</u>

- D. Contributions and grants receivable are recorded as revenue when the unconditional promise is made and are considered implicitly time restricted. Management evaluates the need for an allowance for doubtful accounts applicable to its contributions and grants receivable based on various factors, including an assessment of the creditworthiness of its donors, aging of the amount due and historical experience. As of December 31, 2024 and 2023, management determined that an allowance for doubtful accounts was not necessary for contributions and grants receivable. Contributions and grants receivable due in more than one year are recorded at the present value of their estimated future cash flows, determined using risk-adjusted interest rates applicable to the years in which the promises are made. Contributions and grants receivable totaled \$1,878,270 and \$1,240,125 as of December 31, 2024 and 2023, respectively.
- E. Management considers a loan to be uncollectable when it is probable that Ascendus will be unable to collect all amounts due according to the contractual terms of the loan agreement. Management evaluates loans that are uncollectable based on delinquency information, and an assessment of the borrower's financial condition. Uncollectable loans are written off when payments are past due 120 days or in some cases earlier.

The allowance for credit losses reflects management's estimate of lifetime credit losses inherent in loans as of the statement of financial position date. This is calculated using credit loss rates approved by the Board of Directors and is calculated based on the aging of loans historical write-off trends and other economic predictive considerations.

In addition to an allowance for losses evaluation, Ascendus maintains certain cash loan loss reserve funds in compliance with SBA regulations for both Microloan and Community Advantage programs. The table below shows, on December 31, 2024 and 2023, Ascendus' loan loss cash reserve position.

	<u>2024</u>	<u>2023</u>
Credit Loss Reserve for Community Advantage	\$ 106,167	\$ 117,990
Secured Credit Loss Reserve for the Microloan Program	\$ 795,331	\$ 630,985
SSBCI Capital Access Program	\$ 2,900	\$ -

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income on loans is recognized based on the principal amount outstanding and the related interest rate and is earned as accrued according to the terms of the issued notes. Due to the short nature of Ascendus' write-off policy, the accrual of interest on impaired loans continues to be calculated until the final decision of write-off or modification is determined.

Under certain circumstances, Ascendus will provide borrowers relief through loan restructuring or modification. A restructuring of debt constitutes an insignificant delay in payment resulting from a temporary deferral of terms and is not deemed to be a new loan. Ascendus, for economic or legal reasons related to the borrower's financial difficulties, may grant a modification of the borrower's loan which can include a reduction of interest rates, the extension of maturity dates, the forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. These modifications carefully consider all aspects of the terms and what would constitute a new loan based on FASB ASU 2022-02, *Financial Instruments – Credit Losses* (Topic 326), *Troubled Debt Restructurings and Vintage Disclosures*. When criteria is met for new loans, these are then tracked in the loan portfolio and are adequately included in the loss allowance provided for the loan portfolio.

Ascendus collected previously written off loan receivables of \$342,056 and \$502,185 for the years ended December 31, 2024 and 2023, respectively, which were recognized as an increase to the allowance for credit losses in the statement of net position for the year ended.

An analysis of the allowance for credit losses for the years ended December 31 follows:

	<u>2024</u>	<u>2023</u>
Beginning of year	\$ 3,633,470	\$ 1,609,634
Cumulative effect adjustment for CECL adoption	-	228,631
Provision for credit losses	4,915,841	3,483,724
Charge-offs	(3,833,845)	(2,190,704)
Recoveries	<u>342,056</u>	<u>502,185</u>
End of year	<u>\$ 5,057,522</u>	<u>\$ 3,633,470</u>

- F. U.S. GAAP requires that when a not-for-profit organization receives or makes loans of cash that carry interest rates below the prevailing market rate, the imputed interest be recorded as contributions received or paid, respectively. Ascendus both receives and makes loans with stated rates of interest that vary from the prevailing market rates for commercial loans. However, Ascendus considers its market to be the CDFI industry as opposed to the financial institutions industry in general. Consequently, Ascendus believes there is no material difference between community development finance market rates and the stated rates of loans in their portfolios. Ascendus accounts for these loans at the stated rates.
- G. Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. Ascendus capitalizes all property and equipment having a useful life of greater than one year and a cost of at least \$1,500 for tangible assets and \$25,000 or more for intangible assets. Expenses for maintenance and repairs are charged to operations as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts, with any net gain or loss reflected in the statement of activities for the period. Leasehold improvements are amortized over the lesser of their estimated useful lives or the term of the lease. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Ascendus capitalizes intangible assets, based on the internal and external costs incurred to develop in-house computer software during the application development stage. This includes the cost to develop or obtain software that allows for access or conversion of old data by new systems. Capitalized software is amortized over its estimated useful life.

Ascendus leases real property under operating leases expiring at various dates in the future. Since the rent payments increase over time, Ascendus follows FASB ASU 2016-02, *Leases* (Topic 842) to report how leases are recognized and disclosed.

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- H. For the years ended December 31, 2024 and 2023, Ascendus recorded the fair value of noncash contributions amounting to \$150,822 and \$250,987, respectively. Such amounts are included as noncash contributions and in-kind expenses in the accompanying statements of activities.

Contributed nonfinancial assets consisted of the following for the year ended December 31, 2024:

Nonfinancial Asset	Amount	Usage in Programs/Activities	Donor-imposed Restrictions	Fair Value Techniques
Legal services	\$ 150,822	Management and general	No associated donor restriction	Based on current rates of services provided by law firm

Contributed nonfinancial assets consisted of the following for the year ended December 31, 2023:

Nonfinancial Asset	Amount	Usage in Programs/Activities	Donor-imposed Restrictions	Fair Value Techniques
Legal services	\$ 250,987	Management and general	No associated donor restriction	Based on current rates of services provided by law firm

- I. The costs of providing Ascendus' program and supporting services have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated on a reasonable and consistent basis between program and supporting services principally based on an analysis of estimated time and effort. The expenses that are allocated include salaries, payroll taxes and employee benefits, professional fees, occupancy, communications, insurance, supplies, equipment, and other miscellaneous office expenses. Other costs are directly applied based on their explicit nature, including interest expense, provision for loan losses, outreach and similar as direct programmatic costs, and professional fees for audit, accounting, and development as costs for supporting services.
- J. Ascendus on occasion conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special event revenue in the accompanying statements of activities. No special events were held during the years ended December 31, 2024 and 2023.
- K. Ascendus earns program fees from loan origination, servicing and closing services. Performance obligations and price are defined within the contracts and obligations are determined to have been met by Ascendus upon completion of contracted deliverables or alternatively, according to a service schedule stipulated in the contract. Fees are earned over time as Ascendus meets these performance obligations.

Accounts receivable from contracts with customers are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Other receivables	\$ <u>9,915</u>	\$ <u>15,124</u>	\$ <u>204,262</u>

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- L. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- M. On January 1, 2023, Ascendus adopted ASU 2016-03, *Financial Instruments—Credit Losses*, (Topic 326), *Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

Ascendus adopted Accounting Standards Codification (“ASC”) 326 and all related subsequent amendments thereto effective January 1, 2023, using the modified retrospective approach for all financial assets measured at amortized cost. The transition adjustment of the adoption of CECL included an increase in the allowance for credit losses on loans of \$228,631, which is presented as a reduction to net loans outstanding. Ascendus recorded a net decrease to net assets of \$228,631 as of January 1, 2023 for the cumulative effect of adopting CECL, which reflects the transition adjustment noted above. Results for reporting periods beginning after January 1, 2023 are presented under CECL, while prior period amounts continue to be reported in accordance with previously applicable standards.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Cash account balances, net of outstanding checks, for the operations and lending accounts are reviewed daily by accounting and finance staff, and weekly with management. Every week, management reviews its cash flow trends and forecasts upcoming cash needs to determine when and if Ascendus’ lines of credit will be drawn upon or repaid, or vendor payments must be constricted.

For purposes of analyzing resources available to meet general expenditures over 12 months, Ascendus considers all expenditures related to its ongoing activities of programs including lending activities conducting services undertaken to support those activities, and general expenditures. Donor-restricted funds for various programs are considered available for the general expenditures to conduct those programs.

	<u>2024</u>	<u>2023</u>
Current Assets	\$ 39,099,108	\$ 23,686,753
Current Liabilities	6,336,116	5,683,017
Current Ratio	6.17	4.17

The following table shows the total financial assets held and the amounts of those financial assets that could readily be made available within one year of the statements of financial position date to meet general expenditures as of December 31:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 4,761,783	\$ 8,364,840
Contributions, grants and other receivables	1,888,185	1,255,249
Interest on loans receivable	646,345	441,575
Loans receivable, net	<u>32,437,454</u>	<u>27,813,541</u>
Total financial assets at year-end	39,733,767	37,875,205
Less: Net loans receivable due in over one year	<u>(26,313,952)</u>	<u>(23,466,948)</u>
Total financial assets at year-end available for general expenditures	<u>\$ 13,419,815</u>	<u>\$ 14,408,257</u>

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 3 – LIQUIDITY AND AVAILABILITY (continued)

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Ascendus considers all expenditures related to its ongoing activities of programs including lending activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. Donor restricted funds for various programs are considered available for the general expenditures to conduct those programs.

NOTE 4 – LOANS RECEIVABLE, NET

Loans receivable consist of two primary types of lending: Core Loans and Participation Loans.

Core loans are made up of microloans (up to \$50,000), small business loans (over \$50,000), SBA Paycheck Protection Program (“PPP”) loans and line of credit loans.

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables a business to obtain a loan from the SBA. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven. Ascendus is a qualified lender for the PPP program. PPP loans are 100% guaranteed by the SBA. Therefore, Ascendus does not reserve against potential losses on its outstanding PPP loans. The PPP program has expired and Ascendus expects any remaining loans to be forgiven or paid under the program.

Participation loans (up to \$250,000), consist of the various programs Ascendus works with to originate the loan and sell off or participate a designated portion, while retaining the rights to the full loan relationship. This includes loans related to our Community Advantage Small Business Lending Company program and other special-purpose programs. The SBA allows the sale of the guaranteed portion of the CA loan on the secondary market. These sold portions continue to be serviced by Ascendus to manage the credit concentration(s) and performance of the portfolio. Ascendus participates in these programs to raise additional capital for growth and mitigate risk on loans that otherwise might not be done. Servicing activities are compensated over the life of the loan following each program’s associated contract. Any losses on these loans are likewise shared according to the associated participation agreement.

Participations sold represent the balance outstanding of loan participations owned by third parties. In 2024, Ascendus sold participation in 567 loans for a total of \$32.5 million. In 2023, Ascendus sold participations in 550 loans for a total of \$34.1 million. Ascendus recorded the participating interests as an offset to loans receivable under the provisions of FASB ASC Topic 860, *Transfers and Servicing*.

During 2024 and 2023, Ascendus realized a loss on the sale of the participated interest of \$111,991 and \$0, respectively, which is included in program fees in the accompanying statements of activities.

The liquidity of the loan portfolio (net) for the years ended December 31 is as follows:

	<u>2024</u>	<u>2023</u>
Due in less than one year	\$ 11,181,024	\$ 7,980,063
Due in over one year	<u>26,313,952</u>	<u>23,466,948</u>
	<u>\$ 37,494,976</u>	<u>\$ 31,447,011</u>

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 4 – LOANS RECEIVABLE, NET (continued)

Loans receivable as of December 31, 2024 and 2023, include the following:

December 31, 2024

	<u>Term Loans</u>	<u>Line of Credit</u>	<u>Participations</u>	<u>Total</u>
Total portfolio managed	\$ 24,559,275	\$ 5,169,721	\$ 77,354,082	\$ 107,083,078
Less: Lines of credit (undrawn)	-	(1,988,533)	-	(1,988,533)
Less: Participation loans sold	-	-	(67,599,569)	(67,599,569)
Total loans receivable	24,559,275	3,181,188	9,754,513	37,494,976
Less: Allowance for credit losses	(3,073,981)	(441,203)	(1,542,338)	(5,057,522)
Loans receivable, net	<u>\$ 21,485,294</u>	<u>\$ 2,739,985</u>	<u>\$ 8,212,175</u>	<u>\$ 32,437,454</u>

December 31, 2023

	<u>Term Loans</u>	<u>Line of Credit</u>	<u>Participations</u>	<u>Total</u>
Total portfolio managed	\$ 17,421,254	\$ 3,208,631	\$ 76,372,959	\$ 97,002,844
Less: Line of credit (undrawn)	-	(1,234,024)	-	(1,234,024)
Less: Participation loans sold	-	-	(64,321,809)	(64,321,809)
Total loans receivable	17,421,254	1,974,607	12,051,150	31,447,011
Less: Allowance for credit losses	(2,164,312)	(294,836)	(1,174,322)	(3,633,470)
Loans receivable, net	<u>\$ 15,256,942</u>	<u>\$ 1,679,771</u>	<u>\$ 10,876,828</u>	<u>\$ 27,813,541</u>

An aged analysis of loans segregated by loan program as of December 31, 2024 follows:

	<u>30 – 90 Days</u>	<u>Over 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total</u>
Term Loans	\$ 728,337	\$ 211,603	\$ 939,940	\$ 23,619,335	\$ 24,559,275
Line of Credit	96,305	61,200	157,505	3,023,683	3,181,188
Participation Loans (Net)	<u>324,941</u>	<u>458,609</u>	<u>783,550</u>	<u>8,970,963</u>	<u>9,754,513</u>
Loans Receivable	<u>\$ 1,149,583</u>	<u>\$ 731,412</u>	<u>\$ 1,880,995</u>	<u>\$ 35,613,981</u>	<u>\$ 37,494,976</u>

An aged analysis of loans segregated by loan program as of December 31, 2023 follows:

	<u>30 – 90 Days</u>	<u>Over 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total</u>
Term Loans	\$ 481,352	\$ 146,555	\$ 627,907	\$ 16,793,347	\$ 17,421,254
Line of Credit	103,276	52,560	155,836	1,818,771	1,974,607
Participation Loans (Net)	<u>86,584</u>	<u>61,447</u>	<u>148,031</u>	<u>11,903,119</u>	<u>12,051,150</u>
Loans Receivable	<u>\$ 671,212</u>	<u>\$ 260,562</u>	<u>\$ 931,774</u>	<u>\$ 30,515,237</u>	<u>\$ 31,447,011</u>

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following as of December 31:

	<u>2024</u>	<u>2023</u>	<u>Estimated Useful Lives</u>
Intangible assets:			
Software under development	\$ 59,820	\$ -	
Software Development	<u>-</u>	<u>868,783</u>	3 - 5 years
Cost – intangible assets	59,820	868,783	
Less: accumulated amortization	<u>-</u>	<u>(850,029)</u>	
Net book value – intangible assets	<u>59,820</u>	<u>18,754</u>	
Tangible assets:			
Computer hardware	170,426	170,426	3 - 5 years
Furniture, fixtures and equipment	<u>2,041</u>	<u>2,042</u>	3 - 5 years
Cost – tangible assets	172,467	172,467	
Less: accumulated depreciation	<u>(161,743)</u>	<u>(149,016)</u>	
Net book value – tangible assets	<u>10,724</u>	<u>23,451</u>	
Total Net book value	<u>\$ 70,544</u>	<u>\$ 42,205</u>	

Depreciation and amortization expense amounted to \$31,481 and \$104,263 for the years ended December 31, 2024 and 2023, respectively.

Ascendus wrote-off fully depreciated software development projects with an original cost of \$868,783 during the year ended December 31, 2024. A new software project is in process with an expected completion date of fourth quarter 2025 and costs to complete of approximately \$240,000.

NOTE 6 – NOTES PAYABLE AND SUBORDINATED DEBT

The following is a summary of Ascendus' credit agreements with various banks and other lenders to fund its microlending activities at December 31:

	<u>2024</u>	<u>2023</u>
<u>Notes payable – secured</u>		
Secured borrowing with SBA and Federal Reserve Bank, secured by cash proceeds and program-funded loans, bearing fixed annual interest rates ranging from 0% to 1.63% and ten-year maturities	\$ 4,612,763	\$ 2,980,614
Undrawn Commitments	<u>-</u>	<u>-</u>
Notes payable – secured, net outstanding at year-end	<u>4,612,763</u>	<u>2,980,614</u>
<u>Notes payable – unsecured</u>		
Maturity terms range from two to seven years, bearing fixed annual interest rates from 1% to 6%	20,487,661	7,687,661
Undrawn Commitments	<u>-</u>	<u>(1,750,000)</u>
Notes payable – unsecured, net outstanding at year-end	<u>20,487,661</u>	<u>5,937,661</u>
Total Secured and Unsecured Notes Payable	<u>\$ 25,100,424</u>	<u>\$ 8,918,275</u>

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

	2024	2023
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NOTE 6 – NOTES PAYABLE AND SUBORDINATED DEBT (Continued)

<u>Total Secured and Unsecured Notes Payable (prior page)</u>	\$ 25,100,424	\$ 8,918,275
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Line of Credit

Senior Unsecured revolving lines of credit for the purpose of lending. Maturity dates range from one to five years, bearing both variable and fixed interest rates. Fixed interest rates average 3.28% and variable interest rates are SOFR+ 150. Total borrowing on the lines of credit were \$7,000,000 on April 18, 2025.

Total Commitment Amount	14,400,000	11,900,000
Less: Undrawn Lines of Credit	(4,400,000)	(3,000,000)
Total Amount Outstanding	10,000,000	8,900,000

Subordinated debt – EQ2 Loans – unsecured

The equity equivalent investment, commonly referred to in the community development financing industry as an “EQ2 Loan”, is designed by lenders to increase available funding and investments to economically disadvantaged communities. EQ2 loans are subordinated to Ascendus’ other lenders, and have ten-year maturities with fixed annual interest rates of 2.0% to 3.5%

	9,000,000	6,000,000
Total Notes payable and subordinated debt	\$ 44,100,424	\$ 23,818,275

Future annual principal payments due are as follows:

<u>Years ended December 31:</u>	<u>Amount</u>
2025	\$ 4,353,739
2026	2,714,392
2027	6,770,090
2028	4,545,090
2029	15,827,578
Thereafter	9,889,535
Total	\$ 44,100,424

Interest expense was \$963,721 and \$589,549 for the years ended December 31, 2024 and 2023, respectively.

Pursuant to credit agreements, Ascendus is required to maintain certain financial covenants. As of December 31, 2024, Ascendus was not in compliance with all applicable covenants. Ascendus obtained waivers from all applicable lenders except for Capital One. Ascendus paid off the Capital One outstanding balance of \$3,000,000 on April 17, 2025, a few months earlier than maturity, to manage expenses and liquidity.

NOTE 7 – LEASES

Ascendus leases space in New York and Orlando expiring on March 30, 2026 and June 1, 2026, respectively. Under FASB ASU 2016-02, *Leases* (Topic 842) (“Topic 842”) these are recorded as operating right-of-use (“ROU”) assets and operating lease liabilities. As of December 31, 2024 and 2023, operating ROU assets totaled \$136,365 and \$237,061 and operating lease liabilities totaled \$136,365 and \$237,800, respectively, as shown in the statements of financial position. The operating ROU asset and lease liability were calculated utilizing the risk free discount rate for lease space in Orlando and New York of 1.37% and 3.81%, respectively.

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 7 – LEASES (continued)

Ascendus obtained two leases for computer hardware during the years ended December 31, 2024 and 2023. Under Topic 842, this is recorded as a finance ROU asset and lease liability. As of December 31, 2024 and 2023, finance ROU assets totaled \$65,319 and \$48,882, respectively, and finance lease liability totaled \$69,852 and \$49,421, respectively. The leases are 36-months expiring through August 2027 lease with an interest rate of 4.49%, implicit in the lease agreement and 4.27%, based on Ascendus' incremental borrowing rate. For the years ended December 31, 2024 and 2023, interest expense was \$2,353 and \$999, respectively, and amortization expense amounted to \$19,901 and \$11,406, respectively.

The table below shows other information related to operating and finance leases as of and for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Cash Paid in determination of operating lease liability	\$ 108,024	\$ 246,235
Principal repayments of finance lease liability	15,906	10,870
Weighted Average of the Remaining Lease - operating	15.5 months	27.5 months
Weighted Average Discount Rate - operating	3.43%	3.43%
Weighted Average of the Remaining Lease - finance	4.37%	4.49%
Weighted Average Discount Rate - finance	19.9 months	30 months

Future minimum lease payments are due as follows for the years ending after December 31, 2024:

Years ending December 31:	Operating Lease	Finance Lease
2025	\$ 108,324	\$ 35,539
2026	31,132	24,871
2027	-	9,602
Total Future Minimum Lease Payments	139,456	70,012
Less: Present value discount	(3,091)	(160)
Present value of lease liability	<u>\$ 136,365</u>	<u>\$ 69,852</u>

Operating lease costs of \$109,749 and \$227,275 were included in occupancy expenses in the accompanying statements of functional expenses for the years ended December 31, 2024 and 2023, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Ascendus believes it has no uncertain tax positions as of December 31, 2024 and 2023 in accordance with FASB ASC Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31 are available for the following purposes:

	<u>2024</u>	<u>2023</u>
Net Assets with Donor Restrictions		
Restricted for Operating Purpose	\$ 1,283,057	\$ 943,966
Credit Risk	-	252,787
Lending	2,666,739	1,716,738
Total Net Assets with Donor Restrictions	<u>\$ 3,949,796</u>	<u>\$ 2,913,491</u>

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions of \$1,647,172 and \$4,604,041 for the years ended December 31, 2024 and 2023, respectively, were released from donor restrictions by incurring expenditures satisfying the restricted purposes specified by the donors or the passage of time.

NOTE 10 – CONCENTRATIONS

- A. Cash and cash equivalents that potentially subject Ascendus to a concentration of credit risk include cash accounts with three and two banks as of December 31, 2024 and 2023, respectively, that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. As of December 31, 2024 and 2023, there were approximately \$24,882,240 and \$13,540,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Management manages the risk by communicating with depository banks, monitoring ratios/call reports and press communications. In addition, levels of exposure above the FDIC levels are monitored and due diligence applied when the level is exceeded.
- B. For the years ended December 31, 2024 and 2023, contributions from two donors represented 42% and 34%, respectively, of total contribution revenue.

NOTE 11 – RETIREMENT PLAN

Ascendus participates in a retirement savings plan covering all employees who meet the minimum service requirements. Ascendus has the option to match employee contributions and/or make discretionary contributions to employees' retirement plans. Ascendus made contributions of \$101,553 and of \$0 into the retirement savings for years ended December 31, 2024 and 2023, respectively.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through April 18, 2025, the date the financial statements were available to be issued.

In March 2025, Ascendus had obtained a credit note in the amount \$1,500,000 with a one-year draw period, which is due and payable in March 2028. The note has not been drawn as of April 18, 2025.